

Hart 
Schaffner
& Marx

ANNUAL REPORT FOR 1967

HART SCHAFFNER & MARX

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Robert L. Plummer, *Vice President-*
Anniston Sportswear Corp.

GLENEAGLES, INC.

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HIGHLIGHTS

	YEAR ENDED NOVEMBER 30,		
	1967	1966	1965
Operating			
Net Sales	\$220,460,000	\$205,415,000	\$183,505,000
Income Before Taxes	22,040,000	22,004,000	18,311,000
Net Income	11,820,000	11,651,000	9,820,000
Cash Dividends	4,609,000	3,517,000	2,673,000
Per Share of Stock*			
Average Number of Shares...	4,667,601	4,627,488	4,559,665
Earnings	2.53	2.52	2.15
Dividends	1.00**	.80**	.62**
Financial			
Working Capital	87,103,000	65,595,000	62,422,000
Additions to Property and Equipment—Net	6,231,000	6,443,000	3,311,000
Depreciation	2,576,000	2,284,000	2,202,000
Long-Term Debt	28,657,000	10,745,000	11,521,000
Shareholders' Equity	82,835,000	74,323,000	66,344,000
Shareholders' Equity Per Share.	17.61	16.01	14.38
Other			
Number of Employees	13,500	13,000	11,500
Number of Shareholders	4,700	4,000	3,400
Number of Retail Stores	156	140	127

All figures have been restated to reflect the acquisition of Jaymar-Ruby and Gleneagles on a pooling-of-interests basis.

** All per-share figures reflect the 2-for-1 split March 25, 1965, and the 3-for-2 split January 14, 1966.*

*** Exclusive of dividends paid by Jaymar-Ruby prior to acquisition.*



To our Shareholders:

The past year has been one of record progress for Hart Schaffner & Marx, and also an important period of preparation for future growth.

Your Company established new earnings records for the fifth straight year in an uncertain economic period. While the increase in earnings was modest, sales increased to new high levels for the ninth year in a row and dividends were increased for the tenth consecutive year.

In addition to these immediate accomplishments, the following steps were taken to assure future progress and growth:

- continued expansion of our retail division;
- acquisitions in two significant areas—slacks and rainwear with the Jaymar-Ruby and Gleneagles additions—which have contributed significantly to both sales and profits;
- an entry into international operations;
- improved flexibility of your Company through the reorganization of the corporate structure and decentralization of two major operating divisions—Hart Schaffner & Marx Clothes and Hart Schaffner & Marx Retail Stores;
- \$18,753,000 of debentures were issued to finance future growth.

Consolidated earnings for the fiscal year ended November 30, 1967, were \$11,820,000 vs. \$11,651,000 for 1966, or a \$169,000 increase. The 1966 figure—and all other 1966 figures in this report—have been restated to include Jaymar-Ruby and Gleneagles on a pooling-of-interests basis.

Per-share earnings for 1967 were \$2.53 vs. \$2.52 for 1966. The dividend rate, paid to shareholders of record January 17, 1968, was increased from 25 cents to 27½ cents, or from \$1.00 to \$1.10 on an annual basis.

Sales last year were \$220,460,000 compared with 1966's \$205,415,000, an improvement of 7.3 per cent.

The retail store division grew from 140 to 156 stores located in 59 U. S. metropolitan markets (an increase of four markets over 1966). Eighteen

stores were added during the year of which 10 were shopping center branches of existing stores. The additions include the three units of the Kleinhans Company of Buffalo, New York, added September 1, 1967, and included in Company figures for the last quarter only.

Continued growth in the retail division is planned. The Company previously announced its intention to acquire the six retail stores and uniform manufacturing plant of Jacob Reed's Sons, Philadelphia, and the four-store National Clothing Company of Rochester, New York. With the completion of these acquisitions and the new shopping center branches scheduled to be opened this year, your Company expects to have over 181 stores by the end of 1968.

Dramatic growth in the manufacturing-wholesale area of our business also occurred in 1967. Hart Schaffner & Marx welcomed as new divisions the Jaymar-Ruby slack manufacturing operation headquartered in Michigan City, Indiana, and the Gleneagles rainwear firm of Baltimore. The latter marked your Company's entry into the rapidly expanding rainwear field. The addition of Jaymar-Ruby provides opportunities to participate further in the slacks market, which is growing at a record rate.

During the past year Hart Schaffner & Marx also embarked upon a new avenue of growth—the international market. The Company acquired an 11 per cent interest in Austin Reed Limited which tailors clothes under the Austin Reed label and also operates 39 men's specialty stores throughout the United Kingdom. An agreement with Austin Reed Limited provides for a mutual exchange of marketing and manufacturing information and licenses Hart Schaffner & Marx to manufacture and distribute clothing under the Austin Reed of Regent Street label in the United States. It also authorizes Austin Reed to manufacture and distribute clothing under your Company's Sterling & Hunt label in its own stores in Britain. The Austin Reed of Regent Street label will be introduced in our retail stores this year and will provide

Hart Schaffner & Marx with a new line of clothing priced lower than its present products. This expansion on both sides of the Atlantic presents excellent marketing possibilities.

Your Company's continued and rapid growth required a restructuring of corporate management to meet present demands and to provide for anticipated future expansion. Accordingly, a realignment of management was effected January 1 creating a corporate staff, headed by me with Jerome S. Gore, as executive vice president. Other staff officials include Harold R. Ellman as staff group vice president for manufacturing and operations; Mario Ciucci as vice president of material procurement and styling; William W. Rowlette as vice president of merchandising; John R. Meinert as vice president and comptroller; Frank J. Culhane as vice president of administration; and Richard W. Garbe as secretary-treasurer.

The corporate staff concept permits future divisional expansion without additional changes in the basic managerial structure. By decentralizing all divisions, the corporate staff will be freed of operational assignments and can counsel and consult with division heads on both current and future planning. The corporate staff will be responsible for long-range expansion and capital planning.

Two additional divisions also were created: Hart Schaffner & Marx Clothes and Hart Schaffner & Marx Retail Stores.

James K. Wilson, Jr., is president of Hart Schaffner & Marx Clothes which will direct the manufacturing and marketing of a group of clothing brands including Hart Schaffner & Marx, Society Brand, Sterling & Hunt, Graham & Gunn, Ltd., Thorngate, Ltd., Austin Reed of Regent Street, and the Fashionaire uniform department. Mr. Wilson formerly was group vice president of merchandising and marketing.

Robert J. Witt, president of the 15-store Wallachs retail subsidiary in the New York-New Jersey area, is heading the retail stores division. He will also remain as Wallachs' president.

A complete list of the officials of the two new divisions is shown on the in-

side cover of this report.

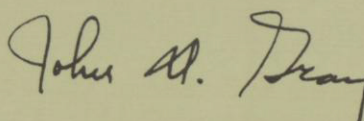
The Hickey-Freeman, Jaymar-Ruby and Gleneagles divisions will continue to operate as separate divisions under their respective presidents, Walter B. D. Hickey, Sr., Burton B. Ruby and Charles R. Lamm.

In order to provide for acquisitions, additional working capital and the expansion and modernization of facilities, your Company issued \$18,753,000 of 4½ per cent convertible subordinated debentures in July, 1967.

As for the immediate future, your Company is optimistic about its prospects for 1968 if we have a continuing strong economy. Advance orders are at record highs for the manufacturing divisions. Sales and profits for December and January established new records and were an encouraging beginning for the 1968 fiscal year.

Our business is primarily one of producing and distributing quality products and offering fine service. Our accomplishments in the past and our achievements in the future, especially in these significant areas, rest in large measure with 13,500 loyal, dedicated employees. The directors join me in thanking them sincerely for their loyalty and their great contribution to the success of your Company.

Very truly yours,



John D. Gray
President

February 29, 1968

HART SCHAFFNER & MARX CLOTHES

Hart Schaffner & Marx Clothes is responsible for the manufacture and marketing of a group of clothing brands including Hart Schaffner & Marx, Society Brand, Sterling & Hunt, Graham & Gunn, Ltd., Thorngate, Ltd., Austin Reed of Regent Street and Fashionaire.

Hart Schaffner & Marx

Sales of Hart Schaffner & Marx-labeled clothing during 1967 reached an all-time record. Advance orders for the Spring/Summer 1968 season show a substantial increase over the comparable year-before season.

The Company operated all plants at capacity during 1967. Production facilities have now been expanded at Company factories in Chicago and Rock Island, Illinois, and Chaffee, Missouri, to take care of increased requirements for 1968. Plans are under way for further increasing total capacity for anticipated increases in 1969 and 1970.

To consistently promote the sales of your Company's clothing, Hart Schaffner & Marx presents its dealers with packaged consumer promotion ideas for each two-week selling period during the year. Each is coordinated at the manufacturer level with appropriate furnishings which dealers can purchase to offer the "total look" so important in men's wear today.

The Hart Schaffner & Marx promotions are supported by a comprehensive collection of advertising and public relations materials for use at the local level as well as the Company's extensive national advertising program. During 1967 Hart Schaffner & Marx advertisements appeared in *Time*, *Newsweek*, *Life*, *The New Yorker*, *Sports Illustrated*, *Playboy*, *Esquire*, *Gentlemen's Quarterly*, *Town & Country*, *Vogue*, and the *New York Times* fashion supplement.

Buoyed by the extraordinary success of the Bob Hope Desert Classic promotion last year, Hart Schaffner & Marx dealers in 1968 are being offered the

opportunity of a repeat performance—with an added selling feature.

The 1967 plan, promoting blazers in 18 colors with coordinated slacks, was advertised in a unique format featuring "18 Bob Hopes" in blazers. In 1968, the plan is repeated with this exciting addition: not one, but two ads featuring "18 Bob Hopes" are scheduled; the first to promote the blazer-slack story; the second to feature the "Swinging Foursome"—Hart Schaffner & Marx Desert Classic slacks, Gleneagles golf jackets and hats, and harmonizing golf shirts.

Like the other two-week promotional packages, the Desert Classic project is accompanied by local newspaper advertisements, direct mail, window displays, and television spots—all for use by dealers in their own cities.

Your Company provides its independent dealers with information and background on retailing operations and problems by means of periodic seminars and workshops such as those held at the annual convention of the Menswear Retailers of America in Chicago early last year. Training films, promotional film strips, how-to bulletins and other printed literature also are made available to dealers affiliated with your Company.

Society Brand

Society Brand Clothes, a Chicago-based division of your Company, had record-breaking sales during 1967, its 65th year. Advance orders for Spring 1968 exceeded any previous Spring season.

Society Brand Clothes are distributed through fine department stores and specialty shops throughout the United States. Among the department stores are Famous-Barr of St. Louis, Marshall Field & Co. of Chicago, G. Fox of Hartford, Connecticut, and Burdine's of Miami. Specialty stores include Bullock & Jones of San Francisco, Muse's of Atlanta, Lytton's of Chicago, LaBiche's of New Orleans, and L. Strauss & Co., of Indianapolis. Additional accounts are being added each season.

Among the many models featured by

Society Brand's fashion-leadership retailers during the Fall 1967 season were the two-button contoured suit and a number of double-breasted styles.

The Society Brand advertising program will be expanded during 1968. In addition to the *Wall Street Journal* advertisements, which have been intriguing readers for six years, Society Brand Clothes will be featured in *Sports Illustrated*, *Esquire*, *Gentlemen's Quarterly*, *Town & Country*, and *The New Yorker* magazines.

Sterling & Hunt

Sterling & Hunt, with dramatically rising sales during 1967, announced marketing plans early in 1968 designed to assure that this important new label continues its growth.

First, a long-term promotional arrangement with America's premier golfer, Jack Nicklaus, was announced.

The affiliation of Sterling & Hunt and Jack Nicklaus is an unusual marketing opportunity. Nicklaus, at just 28 years of age, has established himself as the world's finest golfer and an eminent sportsman. He was 1967's "Golfer of the Year," has won every major championship and is one of the best-known young men in the world.

He will appear in national and local advertising, featuring Sterling & Hunt's Jack Nicklaus Blazers, and dress and sport slacks. The venture is the first in a top-quality men's clothing line by a sports personality, and broad plans are under way for the development of a "Nicklaus Look," with the Sterling & Hunt items as guidelines.

Secondly, the Sterling & Hunt label will go "international" in 1968, with its introduction in Great Britain through the 39 stores of Austin Reed Limited in which your Company invested last year.

Thirdly, in 1968 Sterling & Hunt will continue an interesting marketing partnership with the makers of the Lincoln Continental. Following its previous participation in the introduction of the Cougar and Montego, Sterling & Hunt will again join forces with Lincoln-Mercury in the Fall for the introduction of

"Wet Sand," a new gray-tan shade, is a Hart Schaffner & Marx color promotion for Spring-Summer 1968. It is shown here in a two-button Lancer model.

another important new automobile.

Sterling & Hunt presents its marketing plans in a series of two-week packaged promotions for its dealers, utilizing national advertising in such magazines as *The New Yorker*, *Newsweek*, *Sports Illustrated*, *Esquire*, *Gentlemen's Quarterly* and *Town & Country*. These ads are supported by dealers locally with major newspaper ads, direct mail and window displays.

Graham & Gunn, Ltd.

Graham & Gunn, Ltd., clothing is an unusual line, created for a group of unique men's quality clothing operations across the U.S. It stands, in 1968, at the threshold of quick expansion, based on its singular success.

Filling an unusual niche in type of clothing as well as in distribution, it has won special acceptance at both trade and consumer levels. The line is distinguished both by its models and fabrics, as well as by its prestigious distribution, and its growth through these stores has prepared the way for a number of additional outlets in 1968.

Graham & Gunn is advertised nationally in *The New Yorker*, locally by its outstanding retailers in newspapers and direct mail, and through an exceptionally successful Christmas book promotion, prepared exclusively for Graham & Gunn retailers.

Thorngate, Ltd.

This trouser manufacturing operation makes dress and sport slacks at prices below the Hart Schaffner & Marx level for the Company's retail stores. Thorngate also manufactures the popular-priced "Bogey Baffles" golf slack for sales to independent dealers and store subsidiaries.

Austin Reed of Regent Street

During 1967 your Company acquired an 11 per cent interest in Austin Reed





Hickey-Freeman's Corrigan Twill, one of its most popular fabrics, is shown in a two-button Drakevue style for summer.

Limited, an important retailer and manufacturer of men's wear in the United Kingdom. The British firm tailors men's clothing under the Austin Reed label and operates 39 retail specialty stores throughout Great Britain, the major one being on Regent Street in London. Austin Reed also operates a shirt manufacturing company in Omagh in northern Ireland.

Hart Schaffner & Marx and Austin Reed are exchanging manufacturing, retailing and marketing data, and by agreement your Company will manufacture and market clothing under the Austin Reed of Regent Street label in the United States. This brand, which is priced lower than Hart Schaffner & Marx clothing, will be offered by the Company's own retail stores this first year.

The styling for this clothing will be international in concept and character and although designed for broad segments of American men, it will be promoted primarily among men between the ages of 20 and 35.

The investment in Austin Reed is the first in the international market for Hart Schaffner & Marx. It provides for the joint exploration of opportunities not only in England but western Europe as well.

The British firm was founded in 1900 as a retail business by Austin Reed, father of the present chairman, Douglas A. Reed. Barry Reed, son of Douglas Reed, is managing director of the firm.

Fashionaire

"Fashions in Business" tailored by the Fashionaire division of Hart Schaffner & Marx are offered to organizations that want a coordinated, distinctive look for employees and seek clothing that is meticulously tailored of fine fabrics.

Airlines, automobile rental firms, banks, and savings and loan institutions have been the principal buyers of Fashionaire business wear. For example, the red, white and blue stewardess dresses just recently adopted by American Airlines were tailored by your Company. Furthermore, Hart Schaffner & Marx is now making the

new stewardess uniforms which United Air Lines will introduce early this summer. Pilots, stewardesses and ground personnel of many other airlines also wear Hart Schaffner & Marx garments.

The Company is equipped to provide specialized service for all organizations and especially those with widely-dispersed personnel such as airlines and automobile rental agencies. Fittings and alterations are customarily done through Hart Schaffner & Marx retail accounts in the various cities involved.

HICKEY-FREEMAN CO., INC.

The Hickey-Freeman Co., Inc., Rochester, New York, affiliate of your Company, manufactures and markets clothing under both the Hickey-Freeman and Walter-Morton labels.

Hickey-Freeman

Hickey-Freeman-labeled clothing achieved gains in sales and profits for 1967. Continued growth in unit and dollar volume is anticipated this year with Spring 1968 advance orders showing increases in all categories.

During the past year, Hickey-Freeman intensified its continuing drive to attract qualified craftsmen both here and from abroad and was able, as a result, to expand production facilities. Manufacturing increases permitted the division for the first time in several years to begin serving a limited number of new customers, who had sought the Hickey-Freeman label, without disturbing service to established accounts.

Hickey-Freeman sales of higher fashion clothing climbed dramatically, indicating a demand for style merchandise by men who also seek top quality. This trend was noteworthy in suits and slacks but particularly in sportswear. The greatest single feature in the sport coat line was Diamond Head, a hopsack-type fabric woven of worsted, mohair and baby alpaca. It continues to be a leader for Spring 1968. The Flight coat, a style innovation geared to the needs of travelers who experience great climatic variations, has

grown to rank first place in Hickey-Freeman outercoats, accounting for nearly one-third of all coat sales.

Walter-Morton

Thanks to increased production, Walter-Morton opened a number of important new accounts last year. However, the lion's share of the division's sales increases derived from existing accounts.

Continued demand for this line reflects the increased acceptance of the Walter-Morton identity, its intrinsic value and the broadened fashion presentation in both models and fabrics.

The line is offered to a store only when expanded manufacturing capacity makes it feasible. During 1967 the line was carried for the first time by Menard's of Reno, Nevada, Robinson's of southern California, and Wolff's of St. Louis.

JAYMAR-RUBY, INC.

Jaymar-Ruby, Inc., of Michigan City, Indiana, manufacturers of quality men's slacks, became a new division of your Company during 1967. It operates independently with its own management, product lines and distribution pattern.

The new division operates two factories in Michigan City and single plants in Indiana Harbor, Indiana; Anniston, Alabama; Elizabethtown, Kentucky; and a West Coast warehouse. Major expansion programs are under way at all plants to meet the growing needs of the firm.

Jaymar-Ruby, whose production exceeds two and one-half million pairs of slacks annually, last year achieved record sales and profits for the eighth consecutive year. Advance orders for the Spring/Summer 1968 season are well ahead of the same period last year. Over 500 new accounts were opened during 1967.

Jaymar-Ruby

Three distinct slack collections are offered by Jaymar-Ruby through 5000

department and men's specialty stores coast to coast. They are the Alumnus line for the mature man, YMM (Young Man's Mood) for the natural-shoulder dresser, and the Jay-Bonair, an advance-fashion collection.

The patented Jaymar "Sansabelt" slack—which has an elastic waistband—is one of the best known in the men's wear field. It is also the largest-selling individual men's dress slack style in the United States.

Jaymar-Ruby slacks are the most widely advertised quality slack both at the national and local level. The division advertises on NBC-TV's "Tonight" show with Johnny Carson and "Monitor" radio program as well as in such magazines as *U.S. News & World Report*, *Playboy*, *Gentlemen's Quarterly*, and the Sunday supplements of the *New York Times*, *Los Angeles Times* and other large newspapers. This year NBC-TV's "Today" show with Hugh Downs has been added to the advertising schedule.

On the local level, independent surveys show that more newspaper advertisements, which are paid for by the retail stores, are run for Jaymar slacks than the next 24 brands combined.

The firm was founded in 1916 by Jack M. Ruby who is currently chairman of the firm. His son, Burton B. Ruby, is president.

Silver Mfg. Co.

Silver Mfg. Co. is a wholly-owned subsidiary of Jaymar-Ruby which operates with its own sales organization, merchandising program and style concepts. Silver slacks are sold under the brand name "Life o'Ease" and were advertised nationally for the first time last year. The 43-year-old subsidiary reached peak sales and profits during the past year and is planning for even greater growth this year.

GLENEAGLES

Gleneagles, Inc., manufacturer of quality men's and women's rainwear located in Baltimore, Maryland, was the second

of two new divisions added to your Company during 1967. Gleneagles operates as a separate division of Hart Schaffner & Marx and represents the Company's first entry into the rain-wear field.

Gleneagles raincoats are distributed through 1800 quality independent retail stores as well as Company-owned stores throughout the nation. Last year its unit and dollar sales showed a marked increase. Early 1968 orders indicate continued growth. Gleneagles' two manufacturing facilities located in suburban Baltimore are being expanded to meet anticipated future requirements.

Gleneagles has long had a reputation for being a style innovator and trend-setter. Two of its best-known products are the American Traveler coat and the Condor coat.

The Baltimore firm was founded in 1910 by the late Jacob C. Lamm, father of the current president, Charles R. Lamm.

HART SCHAFFNER & MARX RETAIL STORES

During 1967 Hart Schaffner & Marx opened 10 shopping-center stores and acquired eight established stores for a total of 18 new outlets, the largest number ever added in one year. Your Company now owns and operates 156 stores in 59 metropolitan areas of the nation, an increase of four areas in the past year.

The new shopping-center stores are:

- Levy's of Jacksonville, Florida, in Regency Square and Gateway Center.
- B. R. Baker of Cleveland in Severance Center.
- Herman Kucharo of Des Moines, Iowa, in the Merle Hay Plaza.
- Hastings of San Francisco in Del Monte Center and Sun Valley Shopping Center, Concord, California.
- Silverwoods of Los Angeles in Newport Center.
- Jack Henry of Kansas City in Metcalf Center.
- Wolf Brothers of Tampa, Florida, in West Shore Plaza.

- Walkers of Columbus, Ohio, in Eastland Center.

The new retail subsidiaries, all of which have one store unless otherwise indicated, are:

- A. M. Davison Company, Flint, Michigan.
- The Kleinhans Company, three stores in the Buffalo metropolitan area.
- McManus & Riley, two stores in Albany, New York, metropolitan area.
- The May Clothing Company, Bay City, Michigan.
- Goldberg Clothing Company, Inc., Elkhart, Indiana.

All are new metropolitan areas with the exception of Elkhart.

Hart Schaffner & Marx stores are among the quality retailers in their areas. The names under which the stores were acquired are always retained because of their established reputation for quality and service.

Seventy-three of your Company's stores are located in downtown areas, reflecting the Company's confidence in the central-city as a shopping area. Seventy stores are in shopping centers and the remaining 13 in neighboring suburban areas.

Two downtown stores—Waymire's of Colorado Springs and Klopfenstein's in Seattle—were moved to new downtown locations.

The move of a third, B. R. Baker, will be completed this year. Haynes of Springfield, Massachusetts, has been moved temporarily as part of a downtown urban redevelopment program and will soon occupy a new location in the Baystate West Center.

Extensive remodeling was accomplished during 1967. Additional space was added to the Ray Beers downtown store in Topeka, Kansas, and the first floor was renovated. The expansion and remodeling of Wallachs' Fifth Avenue and Empire State Building stores and the remodeling of F. R. Tripler & Co., both of New York, are under way and will be completed in 1968. Modernization programs will be begun this year by Root's of Summit, New Jersey; Shulman's of Norfolk, Virginia; Kon-

ner's of Paterson, New Jersey; Baskin's State Street store and Capper & Capper, Ltd., both of Chicago.

Continued growth in the retail division is assured. As previously announced, the Company intends to acquire the six retail stores and uniform manufacturing plant of Jacob Reed's Sons of Philadelphia and the four stores operated by the National Clothing Company of Rochester, New York.

In addition, 15 new shopping-center stores will be opened this year:

- Walkers of Columbus in Westland Center.
- Klopfenstein's of Seattle in South Center.
- Frank Bros. of San Antonio in Central Park Mall.
- Silverwoods of Los Angeles in Montclair Plaza, La Habra and Palm Springs, California.
- Heyward Mahon of Greenville, South Carolina, in McAlister Square.
- Hanny's of Phoenix in Tri-City Mall and Fashion Square.
- Wicks & Greenman of Utica in New Hartford Plaza.
- Wolff's of St. Louis in Crestwood Plaza.
- A. M. Davison Company of Flint, Michigan, in Eastland Mall.
- Hastings of San Francisco in Walnut Creek.
- Haynes of Springfield in Eastfield Mall.
- Stevens of Jackson, Mississippi, in Jackson Mall.

Leases also have been signed for 12 additional stores to be opened subsequent to 1968.

The division is a significant factor in Company earnings and sales. Store volume, including leased department sales, was over \$150,000,000 for 1967. (The Company consolidated sales figure listed elsewhere in this report does not include that portion of the retail store volume which represents leased department sales and sales by the manufacturing divisions to retail stores.)

Top left: Austin Reed's main store on Regent Street, London.

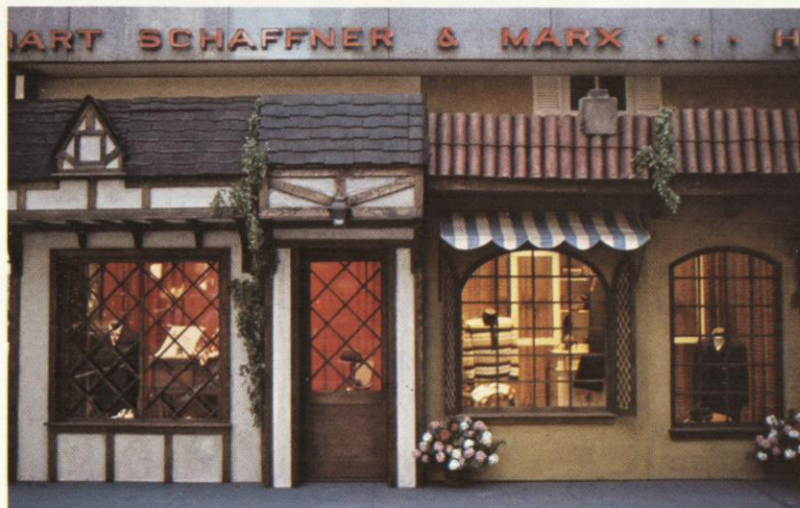
Top right: Hastings' new store in Del Monte Center, Monterey, California.

Center left: Silverwoods' latest store addition in Newport Beach, California.

Center right: B. R. Baker's new store in Severance Center, Cleveland.

Bottom left: Wallachs' Fifth Avenue store in New York with special English and Italian façade for its "Shop the Great Shops of Europe" promotion.

Bottom right: Klopfenstein's store in downtown Seattle.





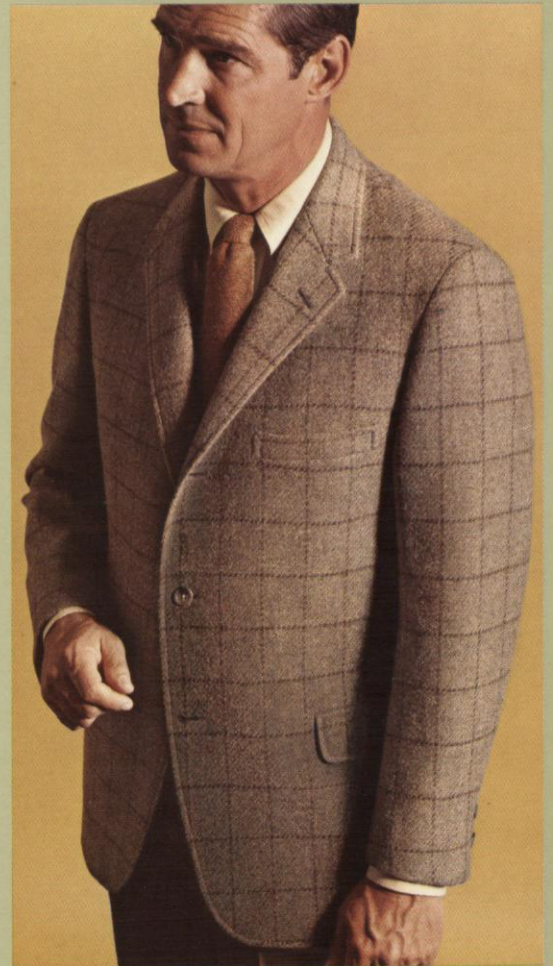
Left: Golfer Jack Nicklaus wearing the Sterling & Hunt blazer and slacks.

Below: Graham & Gunn sport coat styled in a British plaid fabric exclusive in this line.

Opposite top left: Jaymar-Ruby's patented Sansabelt slacks featuring special elastic waistband.

Opposite bottom left: Colorful Irish sport coat represents one of the looks in the new Austin Reed of Regent Street line.

Far right: Bob Hope wears the "Swinging Foursome"—Gleneagles golf jacket and hat, Hart Schaffner & Marx Desert Classic golf slacks, and complementing shirt.







FINANCIAL REVIEW

Earnings: Consolidated earnings of \$11,820,000 for 1967 set a new record high for the fifth consecutive year. They were 1.5 per cent above 1966's \$11,651,000 and 20.4 per cent above 1965's \$9,820,000. Jaymar-Ruby and Gleneagles earnings are included in the consolidated earnings for all three years. On a per-share basis, earnings were \$2.53 per share on 4,667,601 average shares outstanding for the year ended November 30, 1967, as compared with \$2.52 per share on 4,627,488 average shares outstanding for the year ended November 30, 1966, after adjustment for the Jaymar-Ruby and Gleneagles acquisitions.

Production facilities in all divisions operated at capacity during the year, and all divisions contributed to the record earnings.

Sales: Consolidated sales for the ninth consecutive year reached another new

record high of \$220,460,000, an increase of \$15,045,000 or 7.3 per cent from the record level of \$205,415,000 set in 1966.

The Hart Schaffner & Marx Retail Stores established new records, with sales increasing to over \$150,000,000 including leased departments. Sales of the manufacturing divisions increased to over \$110,000,000. Consolidated sales do not include leased department sales or sales by the manufacturing divisions to the Hart Schaffner & Marx Retail Stores.

Cash Dividends: In the first quarter of 1967, the dividend was increased from 20 cents to 25 cents per share and four quarterly payments of 25 cents per share, or a total of \$1.00 per share, were paid in 1967. This is an increase of 25 per cent over the 80 cents per share paid in 1966.

The dividends paid to shareholders in 1967 totaled \$4,609,000 including \$50,000 paid by Jaymar-Ruby prior to its acquisition. The dividends paid were 39 per cent of earnings.

On December 18, 1967, the directors increased the quarterly dividend to 27½ cents, or \$1.10 on an annual basis.

Manufacturing Acquisitions: In March, 1967, the Company acquired Jaymar-Ruby and Gleneagles on a pooling-of-interests basis. Hart Schaffner & Marx issued 380,798 common shares in connection with the Jaymar-Ruby acquisition and 65,000 common shares for the Gleneagles acquisition.

Convertible Debentures: In July, 1967, the Company issued \$18,753,000, 4½ per cent convertible subordinated debentures in order to provide funds for acquisitions, increased working capital, and for modernization and expansion of facilities. The debentures, due in 1992, are convertible into common shares, unless previously redeemed, at a conversion price of \$42.50 per share. The indenture provides for the retirement of the debentures beginning July 1, 1978, through maturity in 1992 by means of a sinking fund at the annual rate of five per cent of the debentures outstanding at July 1, 1977.

Working Capital. Working capital increased during the year from \$65,595,000 to \$87,103,000. The principal changes in working capital position for the year are shown in the following table:

Funds came from:

Earnings for the year	\$11,820,000
Depreciation, a non-cash expense	2,576,000
Long term debt assumed—net.	17,481,000
Proceeds of stock options exercised	422,000
Capital stock used for acquisitions	1,226,000
Other	154,000
Total	\$33,679,000

And were used for:

Payment of dividends	\$ 4,609,000
Property additions—net.	6,231,000
Treasury shares acquired	347,000
Investment in Austin Reed Limited	984,000
Total	\$12,171,000
Increase in working capital	\$21,508,000

Opposite page: Society Brand's two-button Matador suit, part of its Color-scapes promotion.

CONSOLIDATED BALANCE SHEET HART SCHAFFNER & MARX AND SUBSIDIARY COMPANIES

ASSETS	November 30,	
	1967	1966
CURRENT ASSETS:		
Cash	\$ 4,975,000	\$ 2,217,000
Accounts receivable, less allowance for doubtful accounts— \$2,011,000 and \$1,906,000, respectively	40,144,000	35,484,000
Inventories, at lower of cost or market	72,545,000	66,586,000
Prepaid expenses	1,172,000	1,066,000
Total current assets	<u>118,836,000</u>	<u>105,353,000</u>
OTHER ASSETS:		
Investment in Austin Reed Limited, at cost which approximates market	984,000	
Cash value of life insurance and other investments	638,000	781,000
Unamortized debenture costs	420,000	
	<u>2,042,000</u>	<u>781,000</u>
PROPERTIES, at cost:		
Land	905,000	944,000
Buildings and equipment	34,366,000	28,554,000
Leasehold improvements	17,286,000	15,205,000
	<u>52,557,000</u>	<u>44,703,000</u>
Accumulated depreciation and amortization	30,210,000	26,011,000
	<u>22,347,000</u>	<u>18,692,000</u>
	<u>\$143,225,000</u>	<u>\$124,826,000</u>

LIABILITIES

November 30,

1967**1966****CURRENT LIABILITIES:**

Notes payable	\$ 2,300,000	\$ 11,475,000
Current maturities of long-term debt	889,000	749,000
Accounts payable	15,353,000	14,807,000
Accrued expenses	8,114,000	6,965,000
Federal and state income taxes	5,077,000	5,762,000
Total current liabilities	<u>31,733,000</u>	<u>39,758,000</u>

LONG-TERM DEBT, less current maturities:

4 $\frac{7}{8}$ % note payable \$600,000 annually to 1983..	9,000,000	9,600,000
4 $\frac{1}{2}$ % convertible subordinated debentures due 1992 (Note 3)	18,753,000	
Other debt, extending to 1980	904,000	1,145,000
	<u>28,657,000</u>	<u>10,745,000</u>

SHAREHOLDERS' EQUITY:—

Common stock, \$2.50 par value

(Notes 2, 3, and 4):

Authorized, 15,000,000 shares; issued,

4,728,679 shares in 1967 and

4,664,377 shares in 1966 **11,822,000** | **11,661,000** |Capital surplus (Note 4) **4,321,000** | **3,041,000** |Retained earnings (Note 5) **67,586,000** | **60,375,000** |**83,729,000** **75,077,000** |

Treasury stock, at cost—25,595 and

21,644 shares, respectively (Note 4) **894,000** | **754,000** |**82,835,000** **74,323,000** |**\$143,225,000** **\$124,826,000** |

(See accompanying notes to financial statements)

CONSOLIDATED STATEMENT OF INCOME HART SCHAFFNER & MARX AND SUBSIDIARY COMPANIESFiscal years ended
November 30,

	1967	1966
Net sales	\$220,460,000	\$205,415,000
Other income	<u>1,426,000</u>	<u>1,100,000</u>
	<u>221,886,000</u>	<u>206,515,000</u>
Cost of goods sold	132,277,000	123,850,000
Selling, administrative and occupancy expense	63,831,000	57,371,000
Depreciation and amortization	2,576,000	2,284,000
Interest	<u>1,162,000</u>	<u>1,006,000</u>
	<u>199,846,000</u>	<u>184,511,000</u>
Income before taxes	22,040,000	22,004,000
Taxes on income	<u>10,220,000</u>	<u>10,353,000</u>
Net income for the year	<u>\$ 11,820,000</u>	<u>\$ 11,651,000</u>
Net income per share of common stock, based on average shares outstanding during the period	<u>\$2.53*</u>	<u>\$2.52</u>

* Assuming the conversion of all convertible debentures
and the exercise of all stock options, pro forma
net income per share would have been \$2.41.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Retained earnings at beginning of year	\$ 60,375,000	\$ 52,241,000
Net income for the year	<u>11,820,000</u>	<u>11,651,000</u>
	<u>72,195,000</u>	<u>63,892,000</u>
Deduct:		
Cash dividends paid, \$1.00 and \$.80 per share, respectively	4,559,000	3,350,000
Dividends paid by pooled companies prior to acquisition	<u>50,000</u>	<u>167,000</u>
	<u>4,609,000</u>	<u>3,517,000</u>
Retained earnings at end of year	<u>\$ 67,586,000</u>	<u>\$ 60,375,000</u>

(See accompanying notes to financial statements)

NOTES TO FINANCIAL STATEMENTS

NOTE 1—PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and all of its subsidiary companies. In March, 1967, the Jaymar-Ruby group of companies and Gleneagles, Inc., were acquired in exchange for 380,798 common shares and 65,000 common shares, respectively. These transactions were accounted for as poolings of interests, and accordingly the accounts of the Jaymar-Ruby and Gleneagles companies have been included in the accompanying financial statements for 1966 and 1967.

NOTE 2—STOCK OPTION PLANS:

Under the Company's stock option plans, 228,427 shares of unissued common stock were reserved at November 30, 1967, for options granted or to be granted to officers and key employees. The changes in the number of shares under option during the year were as follows:

	Shares
Under option—	
November 30, 1966,	
as previously reported	207,012
Granted	51,400
Terminated	(10,950)
Exercised	(30,802)
Under option—Nov. 30, 1967	<u>216,660</u>
Options exercisable—	
November 30, 1967	<u>84,404</u>

All options were granted at the highest selling price of the stock on the New York Stock Exchange on the dates of the grants. Options were exercised during the fiscal year 1967 at prices ranging from \$7.73 to \$25.17 per share, and options outstanding at the close of the year ranged in price from \$9.07 to \$40.00 per share.

NOTE 3—CONVERTIBLE DEBENTURES:

The indenture covering the 4½% convertible subordinated debentures provides for conversion of the debentures into common stock at a rate of \$42.50 per share, subject to antidilution provisions. At November 30, 1967, 441,259 shares of unissued common stock were reserved for this purpose. The indenture also provides for the retirement of the debentures beginning July 1, 1978, through maturity in 1992 by means of a sinking fund at the annual rate of 5% of the debentures outstanding at July 1, 1977.

NOTE 4—COMMON STOCK AND CAPITAL SURPLUS:

Changes in capital surplus during the year include credits representing (1) the excess of the proceeds over the par value of 30,802 shares of unissued common stock sold under stock option plans (\$345,000) and (2) the excess of the market value over the cost of 5,920 shares of treasury stock or the par value of 33,500 shares of unissued common stock exchanged in the routine acquisitions of two retail subsidiary companies (\$935,000). The Company purchased 9,871 shares of treasury stock during the year.

NOTE 5—RESTRICTION ON RETAINED EARNINGS:

Under the terms of the Company's borrowing agreements, \$53,377,000 of retained earnings at November 30, 1967, was restricted as to the payment of cash dividends.

NOTE 6—LEASES:

At November 30, 1967, the Company and its subsidiary companies were parties to 202 separate noncancelable lease agreements, primarily covering retail store properties. Leases expiring in from

three to 30 years require minimum annual rental payments of \$5,063,000, and leases expiring within three years require minimum annual rental payments of \$491,000. Certain of the leases provide for payment of taxes by the lessees and additional rental based on a percentage of sales in excess of stipulated minimums. The total rentals paid, including those under short-term cancelable leases, were \$7,754,000 in 1967 and \$6,933,000 in 1966.

NOTE 7—PENSION PLANS:

The Company and its subsidiary companies have several pension plans covering substantially all nonunion employees and some union employees. These plans are administered partly under trust agreements and partly through group annuity contracts with an insurance company. Except for two deferred profit-sharing plans of subsidiary companies, all Company contributions are based upon actuarial requirements. The principal plan requires contributions by employees and two of the plans permit voluntary employee contributions. Total pension cost for the year ended November 30, 1967, was \$948,000, which includes current service cost and, as to certain of the plans, amortization of prior service cost at the rate of 10% per year. The companies' policy is to fund future and past service pension costs as accrued. The amounts funded under the plans exceed the actuarially computed total of vested benefits at November 30, 1967.

In addition to the above, the companies contribute amounts based on a percentage of the wages of other union employees to funds administered by the unions for combined employees' welfare and retirement benefits.

Chicago, January 17, 1968

To the Shareholders and Board of Directors of Hart Schaffner & Marx

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and retained earnings present fairly the financial position of Hart Schaffner & Marx and its subsidiary companies at November 30, 1967, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

FIFTEEN-YEAR SUMMARY

FINANCIAL POSITION

At Nov. 30	Working Capital	Properties Less Depreciation	Long Term Debt	Shareholders' Equity	
				Total	Per Share
1967	\$87,103,000	\$22,347,000	\$28,657,000	\$82,835,000	\$17.61
1966	65,595,000	18,692,000	10,745,000	74,323,000	16.01
1965	62,422,000	14,533,000	11,521,000	66,344,000	14.38
1964	56,633,000	13,424,000	13,200,000	57,479,000	12.79
1963	52,748,000	13,240,000	13,824,000	52,314,000	11.97
1962	43,192,000	12,968,000	6,853,000	49,434,000	11.43
1961	32,067,000	10,484,000	5,830,000	36,963,000	11.07
1960	30,408,000	11,097,000	6,350,000	35,461,000	10.67
1959	29,780,000	10,719,000	6,869,000	33,924,000	10.44
1958	28,139,000	11,123,000	7,253,000	32,267,000	9.83
1957	24,826,000	11,932,000	6,260,000	31,141,000	9.49
1956	23,287,000	11,903,000	5,467,000	29,928,000	9.12
1955	22,981,000	11,233,000	6,224,000	28,130,000	8.57
1954	22,523,000	11,307,000	7,041,000	26,952,000	8.21
1953	20,006,000	11,336,000	5,207,000	26,280,000	8.01

SALES EARNINGS DIVIDENDS

Year Ended Nov. 30	Net Sales	Income Before Taxes		Net Income		Cash	
		Amount	% to Net Sales	Amount	% to Net Worth	Earnings Per Share	Dividends Per Share
1967	\$220,460,000	\$22,040,000	10.0	\$11,820,000	15.9	\$2.53	\$1.00
1966	205,415,000	22,004,000	10.7	11,651,000	17.6	2.52	.80
1965	183,505,000	18,311,000	10.0	9,820,000	17.1	2.15	.62
1964	159,734,000	12,336,000	7.7	6,203,000	11.9	1.40	.53
1963	140,232,000	9,261,000	6.6	4,526,000	9.2	1.04	.47
1962	129,970,000	8,072,000	6.2	3,970,000	8.5	.92	.37
1961	90,737,000	4,613,000	5.1	2,509,000	7.1	.75	.32
1960	89,905,000	4,986,000	5.5	2,288,000	6.7	.69	.31
1959	83,142,000	5,261,000	6.3	2,811,000	8.7	.87	.25
1958	76,149,000	3,202,000	4.2	1,827,000	5.9	.56	.21
1957	80,812,000	3,397,000	4.2	1,895,000	6.3	.58	.21
1956	79,532,000	4,314,000	5.4	2,458,000	8.7	.75	.21
1955	74,771,000	3,797,000	5.1	1,736,000	6.4	.53	.17
1954	66,576,000	2,689,000	4.0	1,229,000	4.7	.38	.17
1953	68,867,000	3,042,000	4.4	1,425,000	5.6	.43	.17

Figures prior to 1962 have not been restated to reflect the acquisition of Hickey-Freeman, Jaymar-Ruby and Gleneagles on a pooling-of-interests basis. All per-share statistics have been adjusted to reflect a 5-for-4 stock split April 3, 1956, a 2-for-1 split March 31, 1960, a 5-for-4 split February 8, 1963, a 2-for-1 split March 25, 1965, and a 3-for-2 split January 14, 1966.

● 156 RETAIL STORES
AND THEIR EXECUTIVE OFFICERS

B. R. BAKER (2)—Cleveland, Ohio—*George Comte and Robert Cleary*

BASKIN (11)—Chicago, Champaign-Urbana, Ill.—*Earl Graham*

RAY BEERS—Topeka, Kansas—*Phillip C. Gibson*

BLACKBURN'S (2)—Amarillo, Tex.—*Henry Brown*

CAPPER & CAPPER, LTD. (2)—Chicago, Ill., and Detroit, Mich.—*Robert A. Ratty*

A. M. DAVISON—Flint, Mich.—*L. Farnum Buckingham and John Cammarata*

FANNIN'S (2)—Montgomery, Ala.—*Thomas H. Nelson*

JACK FOX & SONS—Hammond, Ind.—*Clarence L. Fox and Robert F. Orr*

ARTHUR FRANK (2)—Salt Lake City, Utah—*Simon Frank and Lawrence K. Goldsmith*

FRANK BROS.—San Antonio, Tex.—*Stanley Frank, Sr., and George W. Clarke*



GOLDBERG'S—Elkhart, Ind.—*William L. Waterman*

GRIEGER'S—Michigan City, Ind.—*Dwight M. Bowman, Walter Leverenz and William L. Waterman*

HAGSTRUM'S—St. Paul, Minn.—*H. Vincent Hagstrum*

HANNY'S (5)—Phoenix, Ariz.—*William O. Manzer*

HASTINGS and MOORES (15)—San Francisco-Sacramento, Calif.—*Paul Hagstrum*

HAYNES—Springfield, Mass.—*Eric W. Danielson and Joseph J. Dicero*

JACK HENRY (2)—Kansas City, Mo.—*Jack Henry and Ernest A. Dick*

HORSFALLS—Hartford, Conn.—*James T. Foley*

J. O. JONES—Charlotte, N. C.—*William W. Watts*

KLEINHANS (3)—Buffalo, N. Y.—*Paul G. Rohrdanz*

KLOPFENSTEIN'S (5)—Seattle-Tacoma, Wash.—*Hugh C. Klopfenstein*

KONNER'S—Paterson, N. J.—*Benn Konner and Jay Konner*

HERMAN KUCHARO (2)—Des Moines, Iowa—*Herman Kucharo and Nate Bernstein*

LANG'S (3)—Akron, Ohio—*Frank M. Mark*

LEOPOLD PRICE & ROLLE (3)—Houston, Tex.—*Joyce Lehman and Doug Jones*

LEVY'S (3)—Jacksonville, Fla.—*Fred L. Wolf and Harold F. Wolf, Jr.*

MORRIS LEVY—Savannah, Ga.—*Dick Shanks*

LIEMANDT'S—Minneapolis, Minn.—*John A. Liemandt*

LITTLER—Seattle, Wash.—*A. A. Littler and Lawrence Fry*

HEYWARD MAHON—Greenville, S. C.—*Bernard M. Lipscomb*

THE MAN STORE—Asheville, N. C.—*William C. Burt*

MCLEOD WATSON & LANIER—Raleigh, N. C.—*G. Louis Schanze*

McMANUS & RILEY (2)—Albany, N. Y.—*William W. Reynders*

MAY CLOTHING CO.—Bay City, Mich.—*Harry C. Niedzielski*

MERRITT SCHAEFER & BROWN (2)—Austin, Tex.—*S. H. Ashford*

OLSON & VEERHUSEN (2)—Madison, Wisc.—*Harold F. Pfister*

DICK RICHMOND (2)—Miami, Fla.—*William Handelman*

ROOT'S—Summit, N. J.—*Perry Franklin Root*

ROSENBLATTS (2)—Portland, Ore.—*T. Jackson Aycock*

SCHREIBER'S—Scranton, Pa.—*Harold Barnett*

SHULMAN'S—Norfolk, Va.—*Leroy Shulman, Lewis Shulman and Stan L. Smolen*

SILVERWOODS (13)—Los Angeles, Calif.—*Stephen C. Bilheimer and Alex J. Cochrane*

SMALL'S—Lansing, Mich.—*George J. Clark*

STEVENS—Jackson, Miss.—*William L. Featherstone*

STEVENS (3)—New Orleans, La.—*Charles E. Haupt*

F. R. TRIPLER & CO., INC.—New York, N. Y.—*S. S. Daily*

C. N. VICARY CO.—Canton, Ohio—*Francis J. Sweeney*

WALKERS (4)—Columbus, Ohio—*Paul F. Cockrell*

WALKERS (3)—Dayton-Canton, Ohio—*Glen L. Waltrip*

WALLACHS (15)—New York, N. Y., and New Jersey—*Robert J. Witt*

WAYMIRE'S (2)—Colorado Springs, Colo.—*C. C. Waymire and Jack Waymire*

WEATHERWAX—Sioux City, Iowa—*Carrol N. Smith and Glenn E. Turk*

WICKS & GREENMAN—Utica, N. Y.—*James G. Capps and Arthur R. Scoones*

JAS. K. WILSON and GUS ROOS (6)—Dallas, Tex.—*James K. Wilson, Sr., and Charles S. Huyck*

WOLF BROTHERS (4)—Tampa, Fla.—*Fred L. Wolf and Harold F. Wolf, Jr.*

WOLFF'S (3)—St. Louis, Mo.—*Russell G. Bartow*

ZACHRY (4)—Atlanta, Ga.—*John H. Brown and Cliff Stevens*

■ OFFICES

HART SCHAFFNER & MARX AND SOCIETY BRAND: 36 South Franklin Street, Chicago, Ill. 60606; and Sperry Rand Building, 1290 Avenue of the Americas, New York, N.Y. 10019

HICKEY-FREEMAN: 1155 Clinton Avenue North, Rochester, N. Y. 14601; and Sperry Rand Building, 1290 Avenue of the Americas, New York, N.Y. 10019

JAYMAR-RUBY: 209 West Michigan Boulevard, Michigan City, Ind. 46360; Sperry Rand Building, 1290 Avenue of the Americas, New York, N.Y. 10019; and 1409 Santee Street, Los Angeles, Calif. 90015

SILVER MFG. CO.: 1002 Green Street, Michigan City, Ind. 46360; and Sperry Rand Building, 1290 Avenue of the Americas, New York, N.Y. 10019

GLENEAGLES: Gleneagles Court, Baltimore, Md. 21204; and Sperry Rand Building, 1290 Avenue of the Americas, New York, N.Y. 10019

▲ FACTORIES

HART SCHAFFNER & MARX (9): Chicago, Ill. (3); Rock Island (2) and Joliet, Ill.; Rochester, Ind.; Rector, Ark., and Chaffee, Mo.

HICKEY-FREEMAN (5): Rochester, Buffalo, East Rochester, Hornell and LeRoy, N.Y.

JAYMAR-RUBY (5): Michigan City (2) and Indiana Harbor, Ind.; Anniston, Ala. and Elizabethtown, Ky.

GLENEAGLES (2): Baltimore and Bel Air, Md.

Transfer Agents

The First National Bank of Chicago, Chicago, Ill. 60690
Bankers Trust Company, New York, N.Y. 10015

Registrars

Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill. 60690
Chemical Bank New York Trust Company, New York, N.Y. 10015



**HART SCHAFFNER
& MARX**



SOCIETY BRAND



STERLING & HUNT



GRAHAM & GUNN, LTD.



THORNGATE, LTD.



**AUSTIN REED
OF REGENT STREET**



FASHIONAIRE



HICKEY-FREEMAN



WALTER-MORTON



JAYMAR-RUBY



SILVER



GLENEAGLES